

HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

RESPONSE TO SGX-ST QUERIES OF 8 MAY 2020

The Board of Directors (the “**Board**”) of HC Surgical Specialists Limited (the “**Company**” and together with its subsidiaries, the “**HCSS Group**”) refers to its announcements made on 11, 12, 21, 24 and 27 April 2020 and 4 May 2020 relating to the Straits Times article of 10 April 2020 “Surgeon loses defamation suit as judge upholds woman’s claim that he took advantage of vulnerable patients” (the “**Announcements**”).

Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as that in the Announcements.

The Board would like to provide the Company’s response to further queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**” or the “**Exchange**”) on 8 May 2020 in relation to the Announcements as follows.

Query 1

The Exchange notes from the Announcement of 4 May 2020, that “the minimum consideration that the Company could receive should the Put Option be exercised, would be more than the amount paid by the Company for the acquisition of the 70% interest in JOES”. With reference to the Company’s Announcement of 24 April 2020, and taking into consideration that the amount Dr Ong is required to pay to the Company should the Put Option be exercised, exceeds the amount Dr Ong received previously from him disposing 70% stake in JOES to the Company, please provide the Board’s opinion as to whether the Dr Ong would have sufficient liquidity / financial strength to buy back JOES shares should the Put Option be exercised. In its response, the Company should provide the basis for the opinion and information on the assessment done to assess Dr Ong’s ability to fulfil the obligations under the Put Option.

Company’s response

As disclosed in the 24 April 2020 Announcement, the Board had assessed Dr Ong’s and the Vendor’s historical performance when the revised terms were put before them. In addition, as a contractual obligation, the Company can sue Dr Ong should he not fulfil his contractual obligations, and legal remedies would be made available to the Company.

As disclosed in the 24 April 2020 Announcement, in the event that the Put Option is exercised, the Company will receive an amount in excess of the amount paid for its 70% stake in JOES. The Board has assessed Dr Ong’s financial ability to buy back the JOES shares should the Put Option be exercised, taking into account the value of Dr Ong’s assets, including his property and investments, and is of the view that Dr Ong has sufficient financial strength to buy back the JOES shares.

Query 2

The Exchange notes that JOES is a significant contributor of the Goodwill of the Company. Taking into consideration the current operating environment, the Suspension by Parkway Group, and other developments such as the SMC investigation, please disclose whether the Company has performed a Goodwill impairment evaluation? If so, what would be the impact on the Group? If not, why not.

Company's response

The financial year end of the Company is 31 May 2020. As of the date of this Announcement, the Company has not begun its audit as it has not reached its financial year end. As such, discussions with its auditors in relation to its full year audit, including any impairment of its investments has not begun.

The goodwill assessed on the Company's accounts for its acquisition of JOES amounts to S\$2.1 million. As there are various other factors which also need to be taken into account in assessing any impairment, such as revenue growth, operating expenses and discount rate and is pending discussions with the Company's auditors, the Company will make the necessary announcements in relation to its full year 2020 financial statements, together with any impairment on its investment in JOES, if necessary, at a subsequent time, in accordance with the applicable Catalist Rules.

Query 3

With reference to the Company Announcement on 4 May 2020 and the uncertainty on when SMC will conclude their investigation, please clarify whether the Company will be exploring provisions to allow for the exercise period of the option to be extended past 31 March 2021. The Company should also provide a basis for its response.

Company's response

As disclosed in the Announcement on 4 May 2020, based on the current state of affairs, the Company is currently evaluating the potential outcomes that may result from the SMC investigation. This includes Dr Ong's ability to continue his employment with the HCSS Group and accordingly, whether the Company will exercise the Put Option or take other necessary action, which will include but is not limited to, extending the exercise period of the Put Option beyond 31 March 2021.

As and when the Company makes such a determination, the Company will make the necessary announcements in accordance with the Catalist Rules.

Query 4

Please provide an assessment as to whether Dr Ong's notification to the Board of the investigation by SMC is material information that required immediate disclosure under Chapter 7 of the Catalist Rules.

Company's response

Practice Note 7A on Continuing Disclosure of the Catalist Rules states that material information to be disclosed is (a) trade-sensitive information, being information which is necessary to avoid the establishment of a false market in the issuer's securities, or (b) materially price-sensitive information, being information which would be likely to materially affect the price or value of the issuer's securities.

Upon receiving notification of the Complaint by the SMC, Dr Ong updated the Company of the purported Complaint and reiterated that the accusations were untrue as they indicated that he had intentionally preyed on vulnerable women patients and took advantage of them. Dr Ong informed the Company that these were one-sided statements made by an unrelated third party who was not his patient, and the Complaint constituted groundless accusations. Dr Ong emphasised that these statements were untrue and he had pursued the matter against the defendant through the Suit. Dr Ong also mentioned that he had obtained confirmation from a third party referred to in the statements that the allegations were untrue.

As previously mentioned, Dr Ong is not a key executive officer of the HCSS Group and is one of eight doctors and specialists that the HCSS Group currently employs. While investigations into the Complaint are ongoing, the status of the investigation was still in its early stages as the Company understands that SMC investigations into complaints typically take several months to a few years to be finally determined. Additionally, at the relevant time, the Company was of the understanding that there was no merit to the nature of the Complaint in relation to Dr Ong's professional behaviour or his interactions with his patients, and recognised that there had not been to date, any negative feedback on such matters.

The Company further notes that the SMC proceedings are confidential and are as of the date of this announcement, still ongoing. Any announcements made at that point in time may unduly prejudice such proceedings.

On the basis of the foregoing, the Board determined that the Complaint was not, at that time, information which was (a) trade-sensitive information, being information which is necessary to avoid the establishment of a false market in the issuer's securities, or (b) materially price-sensitive information, being information which would be likely to materially affect the price or value of the issuer's securities, that required immediate disclosure under Chapter 7 of the Catalist Rules.

Nonetheless, the Company remains cognisant of its obligations under the Catalist Rules, and will make an immediate announcement once the findings of the SMC Complaints Committee are disclosed and if any penalties imposed on Dr Ong may materially affect the financial performance of the HCSS Group.

By Order of the Board

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer
9 May 2020

About HC Surgical Specialists Limited

HC Surgical Specialists Limited (the "Company") was incorporated on 1 September 2015 in Singapore and listed on Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. The Company, its subsidiaries and associated company are a medical services group primarily engaged in the provision of endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures across a network of 17 clinics located throughout Singapore.

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.